

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITORS' REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2012**

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SIoux CENTRAL COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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BOARD OF EDUCATION

(Before September, 2011 Election)

Kevin Lindquist	President	2011
Jeannette Hasley	Vice President	2011
Liza Gunnerson	Board Member	2011
Lory Krummen	Board Member	2013
Randy Ripke	Board Member	2013

(After September, 2011 Election)

Kevin Lindquist	President	2015
Liza Gunnerson	Vice President	2015
Lynn Barbier	Board Member	2015
Lory Krummen	Board Member	2013
Randy Ripke	Board Member	2013

SCHOOL OFFICIALS

Dr. Dan Frazier	Superintendent
Angela Smith	District Secretary/Treasurer



Independent Auditors' Report

To the Board of Education of the
Sioux Central Community School District

We have audited the accompanying financial statements of the governmental activities, business-type activity, each major fund and the aggregate remaining fund information of Sioux Central Community School District, Sioux Rapids, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activity, each major fund, and the aggregate remaining fund information of Sioux Central Community School District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2012, on our consideration of Sioux Central Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and pages 36 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sioux Central Community School District's basic financial statements as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements. We did not audit, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
December 11, 2012

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

Sioux Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

General fund revenues increased from \$6,102,452 in fiscal 2011 to \$6,467,858 in fiscal 2012, while General fund expenditures increased from \$5,544,641 in fiscal 2011 to \$5,848,439 in fiscal 2012. The District's General fund balance increased from \$1,462,310 at the end of fiscal 2011 to \$2,081,729 at the end of fiscal 2012, a 42% increase.

The increase in General fund revenues was attributable mainly to the increase in state aid to the district, the induction of the Four Year Old Preschool Grant, and a larger Special Education Deficit. The increase in expenditures was due primarily to the increase of costs for educating our students, particularly in the special education programs, and increase in transportation. The General fund balance increase is the result of controlling expenditures.

A decline in interest rates during the past several fiscal years, combined with less cash available to be invested, resulted in interest earnings in the General Fund alone decreasing from \$11,335 in fiscal year 2011 to \$7,910 in fiscal year 2012.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Nets Assets and a Statement of Activities. These provide information about the activities of Sioux Central Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financials statements report Sioux Central Community School District's operations in more detail than the government-wide statements provide information about the most significant funds. The remaining statements provide financial information about activities for which Sioux Central Community School District acts solely as an agent or custodian for the benefit of those outside of the District.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

- Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

GASB 34 Sioux Central Community School District Annual Financial Report

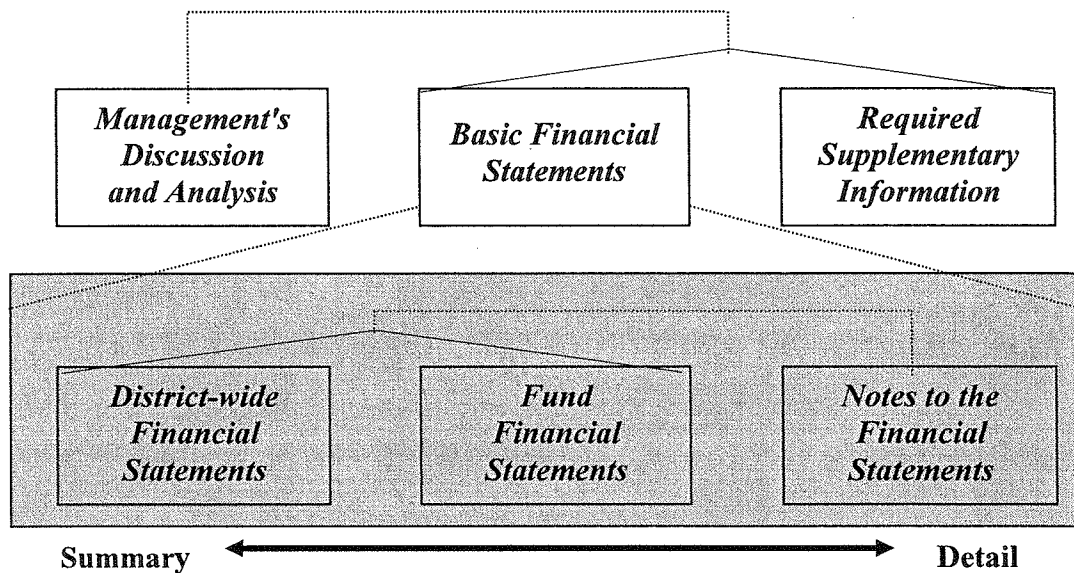


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	Statement of net assets Statement of revenues, expenses and changes in fund net assets <ul style="list-style-type: none"> • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statement

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds. The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.
- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund. The required

financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds*: Fiduciary funds are custodial in nature and are used to account for funds held by the District on behalf of someone else. The District's fiduciary funds include a private purpose scholarship trust fund. The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations. The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement change in fiduciary net assets

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2012 compared to June 30, 2011.

Figure A-3

Condensed Statement of Net Assets

	Governmental Activities		Business-Type Activity		Total District		Total Change
	2012	2011	2012	2011	2012	2011	2011-2012
Current and Other Assets	\$ 5,928,400	\$ 5,745,329	\$ 37,328	\$ 40,966	\$ 5,965,728	\$ 5,786,295	3.1%
Capital Assets	5,374,039	5,438,850	11,126	11,350	5,385,165	5,450,200	-1.2%
Total Assets	11,302,439	11,184,179	48,454	52,316	11,350,893	11,236,495	1.0%
Current Liabilities	3,830,369	4,045,832	-	-	3,830,369	4,045,832	-5.3%
Non-Current Liabilities	504,474	1,233,997	-	-	504,474	1,233,997	-59.1%
Total Liabilities	4,334,843	5,279,829	-	-	4,334,843	5,279,829	-17.9%
Net Assets:							
Invested in Capital Assets,							
Net of Related Debt	4,452,844	3,860,725	11,126	11,350	4,463,970	3,872,075	15.3%
Restricted	606,979	840,375	-	-	606,979	840,375	-27.8%
Unrestricted	1,907,773	1,203,250	37,328	40,966	1,945,101	1,244,216	56.3%
Total Net Assets	\$ 6,967,596	\$ 5,904,350	\$ 48,454	\$ 52,316	\$ 7,016,050	\$ 5,956,666	17.8%

The District's combined net assets increased 17.8%, or approximately \$1,059,000, from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased approximately \$233,000, or 28%, from the prior year. The decrease was primarily a result of smaller fund balances in Title I and other categorical funds due to the elimination of the majority of ARRA money.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established debt covenants, enabling legislation or other legal requirements – increased approximately \$701,000, or 56%. This increase of unrestricted net assets was primarily a result of the utilizing the remaining ARRA funds as much as possible to supplement state aid and property tax revenue.

Figure A-4 shows the changes in net assets.

The 2011 restricted and unrestricted net asset amounts have been restated in the above table due to reclassifying net asset amounts dealing with the early retirement liability within the management fund. The restricted number decreased \$12,777 and the unrestricted increased \$12,777.

Figure A-4

Changes in Net Assets from Operations

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2012	2011	2012	2011	2012	2011	
Revenue:							
Program Revenue:							
Charges for Services	\$ 1,446,824	\$ 1,442,684	\$ 172,515	\$ 175,315	\$ 1,619,339	\$ 1,617,999	0.08%
Operating Grants and Contributions	942,558	1,021,059	168,943	169,330	1,111,501	1,190,389	-6.63%
General Revenues:							
Property Tax	2,910,647	2,907,269	-	-	2,910,647	2,907,269	0.12%
SSSU Tax	404,516	358,508	-	-	404,516	358,508	12.83%
State Grants	1,934,750	1,560,521	-	-	1,934,750	1,560,521	23.98%
Interest Income	11,732	18,249	141	312	11,873	18,561	-36.03%
Miscellaneous	61,425	378,646	-	-	61,425	378,646	-83.78%
Total Revenues	7,712,452	7,686,936	341,599	344,957	8,054,051	8,031,893	0.28%
Expenses:							
Instruction	4,370,934	4,069,016	-	-	4,370,934	4,069,016	7.42%
Support Services	1,868,712	1,727,494	-	-	1,868,712	1,727,494	8.17%
Non-Instructional	-	-	345,461	339,160	345,461	339,160	1.86%
Other Expenses	409,560	509,462	-	-	409,560	509,462	-19.61%
Total Expenses	6,649,206	6,305,972	345,461	339,160	6,994,667	6,645,132	5.26%
Change in Net Assets	\$ 1,063,246	\$ 1,380,964	\$ (3,862)	\$ 5,797	\$ 1,059,384	\$ 1,386,761	-23.61%

Property tax and unrestricted state grants account for 60% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 89% of the total expenses.

The District's total revenues were approximately \$8.0 million, of which \$7.7 million was for governmental activities and \$340 thousand was for business type activities.

As show in Figure A-4, the district as a whole experienced a 0.28% increase in revenues and a 5.26% increase in expenses. The increase in General Fund revenues was attributable mainly to the increase in state aid to the district, the induction of the Four Year Old Preschool Grant, and a larger Special Education Deficit. The increase in expenditures was due primarily to the increase of costs for educating our students, particularly in the special education programs, and increase in transportation.

Governmental Activities

Revenues for governmental activities for the year ended June 30, 2012 were \$7,712,452 and expenses were \$6,649,246.

Figure A-5 presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs, and other expenses, for the year ended June 30, 2012 compared to the year ended June 30, 2011.

Figure A-5 - Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2012	2011	% Change	2012	2011	% Change
Instruction	\$ 4,370,934	\$ 4,069,016	7.42%	\$ 2,183,369	\$ 1,821,633	19.86%
Support Services	1,868,712	1,727,494	8.17%	1,854,565	1,711,486	8.36%
Other Expenses	409,560	509,462	-19.61%	221,890	309,110	-28.22%
Total	\$ 6,649,206	\$ 6,305,972	5.44%	\$ 4,259,824	\$ 3,842,229	10.87%

For the year ended June 30, 2012:

- The cost financed by users of the District's programs was \$1,446,824 in 2012.
- Federal and state governments subsidized certain programs and grants and contributions totaling \$942,558 in 2012.
- The net cost of governmental activities was financed with \$3,315,163 in property taxes and other taxes and \$1,934,750 in unrestricted state grants.

Business-Type Activities

Revenues of the District's business-type activities (school food and nutrition services) totaled \$341,599 representing a 1% decrease from the prior year, while expenses totaled \$345,461, a 1.9% increase over the prior year. (Refer to Figure A-4.) The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

Increased food costs account for the increase in expenses, while a decrease in commodities received accounts for the decrease in revenue.

INDIVIDUAL FUND ANALYSIS

As previously noted, Sioux Central Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,749,624, a nineteen percent increase over last year's ending fund balances of \$2,300,196. The reason for increase was mainly due to the increase in revenue and maintaining lower expenditures.

Governmental Fund Highlights

The District attempted to maintain its General Fund balance by cutting staff and expenses from portions of the budget that were not already obligated, such as supplies and maintenance items.

The General Fund balance increased from \$1,462,310 to \$2,081,729 due, mainly, to the increased revenues and the controlled expenditures.

The Management Fund balance decreased from \$297,573 at the end of fiscal year 2011 to \$254,673 at the end of fiscal year 2012. This was due to increased insurance costs, as well as additional health insurance premiums for early retirees.

The Debt Service fund balance increased from \$56,195 at the end of fiscal year 2011 to \$56,436 at the end of fiscal year 2012 due to the balance remaining in the fund after all necessary bond payments were made for the year.

The Capital Projects Fund, Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$74,163 at the end of fiscal year 2011 to \$50,841 at the end of fiscal year 2012. This was due to the purchase of additional computers for the elementary grades, as well as a bus purchase.

The Capital Projects Fund, Statewide sales, services and use tax balance decreased from \$310,350 at the end of fiscal year 2011 to \$216,583 at the end of fiscal year 2012 due also to the purchase of additional computers for the elementary grades, as well as a bus purchase.

Proprietary Fund Highlights

The School Nutrition Fund balance maintained a balance similar to fiscal year 2011.

Budgetary Highlights

The Sioux Central Community School District did not amend its annual budget during the fiscal year ending June 30, 2012.

The District's revenues were \$51,997 more than budgeted, primarily due to the increase of property taxes from the South Clay district acquisition.

Total expenditures were less than budgeted expenses primarily due to maintaining control over expenditures.

CAPITAL AND DEBT ADMINISTRATION

At June 30, 2012, the District had invested \$5.4 million, net of accumulated depreciation, in a broad range of assets, including land, buildings, athletic facilities, computers, audio-visual equipment, and transportation equipment. This represents a net increase of 0% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Total depreciation expense for the year was \$267,884.

The original cost of the District's capital assets was \$9,317,681. Governmental funds account for \$9,243,068 with the remainder of \$74,613 accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity was due to the purchase of new bus.

Figure A-6 - Capital Assets

	Governmental Activities		Business-Type Activity		Total District		Total % Change
	2012	2011	2012	2011	2012	2011	
Land	\$ 125,495	\$ 125,495	\$ -	\$ -	\$ 125,495	\$ 125,495	0.00%
Buildings & Improvements	4,685,215	4,823,361	-	-	4,685,215	4,823,361	-2.86%
Equipment, Furniture & Vehicles	563,329	489,993	11,126	11,350	574,455	501,343	14.58%
Total	\$ 5,374,039	\$ 5,438,849	\$ 11,126	\$ 11,350	\$ 5,385,165	\$ 5,450,199	-1.19%

Long-Term Debt

At year-end, the District had \$921,195 of long-term debt outstanding. This represents a decrease of approximately 42% from last year. See Figure A-7 below. Additional information about the District's long-term debt is presented in Note 4 to the financial statements.

In May of 2009, the board voted to refinance the current bonds in order to take advantage of lower interest rates. The Leases Payable is the Laptop Initiative lease.

Figure A-7 - Long-Term Debt

	Total District		Total % Change
	2012	2011	
General Obligation Bonds	\$ 720,000	\$1,190,000	-39.50%
Leases Payable	201,195	388,125	-48.16%
Total	\$ 921,195	\$1,578,125	-41.63%

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could affect its financial health in the future:

- The District continues its sharing agreement with Albert City – Truesdale Community School District for academics. The agreement is going well. The administration is keeping communication lines open with other neighboring districts for the possibility of future sharing.

- The neighboring district of South Clay closed its doors on June 30, 2010. Due to this, we received 100% of the state aid and property tax for the portion of the district we acquired and the students living in that area. This continues to affect our budget by increasing our revenues and maintaining staff size, therefore keeping our expenditures low.
- The remaining Federal ARRA revenue was utilized during Fiscal Year 2012. We were able to use this money to assist in maintaining and improving the instruction services we provide to our students, while avoiding a fiscal cliff in future years.
- The Sioux Central district continues to expand our one to one laptop initiative. The staff continues to work hard to use the technology as a tool for educating our students. Adding more technology to the elementary grades was achieved this year, with one to one laptops beginning at 3rd grade and 1:2 IPADS for Kindergarten through 2nd grade.
- The District enrollment showed a slight increase this year. We continue to be a district of educational choice for students from neighboring districts. We continue to see a three to one ratio for students open enrolling into our district, versus open enrolling out to another district.
- Health insurance continues to be a very costly item to the District. The rates are continuing to increase and are extremely high. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District with mandates such as the “No Child Left Behind” and “Student Achievement and Teacher Quality Act”.

CONTACTING THE DISTRICT’S FINANCIAL MANAGEMENT

This financial report is designed to provide the District’s citizens, taxpayers, customers, and investors and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability of the money it receives. If you have questions about this report or need additional information, contact Angie Smith, Business Manager, Sioux Central Community School District, 4440 US Hwy 71, Sioux Rapids, IA 50585.

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BASIC FINANCIAL STATEMENTS

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government Governmental Activities	Business Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 1,957,043	\$ 29,350	\$ 1,986,393
Pooled Investments	449,409	-	449,409
Receivables:			
Property Tax	105,525	-	105,525
Property Tax - Succeeding Year	2,815,362	-	2,815,362
Accounts	6,639	-	6,639
Due from Other Governmental Agencies	555,531	-	555,531
Accrued Interest	1,237	-	1,237
Inventories	-	7,978	7,978
Prepaid Expenses	23,463	-	23,463
Unamortized Bond Issuance Costs	14,191	-	14,191
Land	125,495	-	125,495
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	5,248,544	11,126	5,259,670
Total Assets	<u>11,302,439</u>	<u>48,454</u>	<u>11,350,893</u>
Liabilities			
Accounts Payable	130,264	-	130,264
Accrued Wages and Payroll Liabilities	14,473	-	14,473
Accrued Interest Payable	3,111	-	3,111
Deferred Revenue - Succeeding Year Taxes	2,815,362	-	2,815,362
Unearned Revenue	138,691	-	138,691
Long-Term Liabilities:			
Debt Due Within One Year:			
Bonds Payable	475,000	-	475,000
Lease Payable	187,643	-	187,643
Early Retirement Payable	65,795	-	65,795
Debt Due in More Than One Year:			
Bonds Payable	245,000	-	245,000
Lease Payable	13,552	-	13,552
Early Retirement Payable	239,250	-	239,250
Net OPEB Liability	6,702	-	6,702
Total Liabilities	<u>4,334,843</u>	<u>-</u>	<u>4,334,843</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	4,452,844	11,126	4,463,970
Restricted for:			
Physical Plant and Equipment Levy	50,841	-	50,841
Categorical Funding	181,445	-	181,445
Debt Service	53,325	-	53,325
Student Activities	89,362	-	89,362
School Infrastructure	216,583	-	216,583
Management Levy	15,423	-	15,423
Unrestricted	1,907,773	37,328	1,945,101
Total Net Assets	<u>\$ 6,967,596</u>	<u>\$ 48,454</u>	<u>\$ 7,016,050</u>

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Instruction:				
Regular Instruction	\$ 2,134,515	\$ 817,933	\$ 500,194	\$ -
Special Instruction	1,114,336	480,879	26,299	-
Other Instruction	1,122,083	148,012	214,248	-
Support Services:				
Student Services	103,514	-	-	-
Instructional Staff Services	181,419	-	13,173	-
Administration Services	549,537	-	-	-
Operations and Maintenance	500,006	-	-	-
Transportation Services	368,849	-	974	-
Central Support Services	165,387	-	-	-
Other Expenditures:				
Structural Improvements	3,509	-	-	-
Facilities Acquisition	19,232	-	-	-
Long-term Debt Interest and Fiscal Charges	35,693	-	-	-
AEA Flow-Through	187,670	-	187,670	-
Unallocated Depreciation*	163,456	-	-	-
Total Governmental Activities	6,649,206	1,446,824	942,558	-
Business-Type Activities:				
School Nutrition Fund	345,461	172,515	168,943	-
Total School District	\$ 6,994,667	\$ 1,619,339	\$ 1,111,501	\$ -

General Revenues:

Property Tax Levied For:
General Purposes
Debt Service
Capital Outlay
Management Levy
Statewide Sales and Services Tax
Unrestricted State Grants
Interest on Investments
Miscellaneous
Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

* This amount excludes the depreciation included in the direct expenses of the various programs.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (816,388)		\$ (816,388)
(607,158)		(607,158)
(759,823)		(759,823)
(103,514)		(103,514)
(168,246)		(168,246)
(549,537)		(549,537)
(500,006)		(500,006)
(367,875)		(367,875)
(165,387)		(165,387)
(3,509)		(3,509)
(19,232)		(19,232)
(35,693)		(35,693)
-		-
(163,456)		(163,456)
(4,259,824)		(4,259,824)
-	\$ (4,003)	(4,003)
(4,259,824)	(4,003)	(4,263,827)
2,240,540	-	2,240,540
498,635	-	498,635
71,394	-	71,394
100,078	-	100,078
404,516	-	404,516
1,934,750	-	1,934,750
11,732	141	11,873
61,425	-	61,425
5,323,070	141	5,323,211
1,063,246	(3,862)	1,059,384
5,904,350	52,316	5,956,666
\$ 6,967,596	\$ 48,454	\$ 7,016,050

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Management	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 1,285,429	\$ 324,965	\$ 47,331	\$ 299,318	\$ 1,957,043
Pooled Investments	449,409	-	-	-	449,409
Receivables:					
Property Taxes	17,106	985	9,105	78,329	105,525
Property Taxes - Succeeding Year	1,917,142	329,999	493,375	74,846	2,815,362
Other Accounts Receivable	6,639	-	-	-	6,639
Accrued Interest	1,237	-	-	-	1,237
Due from Other Governmental Agencies	555,531	-	-	-	555,531
Prepaid Expenses	23,463	-	-	-	23,463
Total Assets	<u>4,255,956</u>	<u>655,949</u>	<u>549,811</u>	<u>452,493</u>	<u>5,914,209</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	103,921	5,482	-	20,861	130,264
Accrued Wages and Payroll Liabilities	14,473	-	-	-	14,473
Early Retirement Payable	-	65,795	-	-	65,795
Succeeding Year Taxes	1,917,142	329,999	493,375	74,846	2,815,362
Unearned Revenue	138,691	-	-	-	138,691
Total Liabilities	<u>2,174,227</u>	<u>401,276</u>	<u>493,375</u>	<u>95,707</u>	<u>3,164,585</u>
Fund Balances					
Nonspendable:					
Prepaid Expenses	23,463	-	-	-	23,463
Restricted for:					
Categorical Funding	181,445	-	-	-	181,445
Debt Service	-	-	56,436	-	56,436
Student Activities	-	-	-	89,362	89,362
Management Levy	-	254,673	-	-	254,673
School Infrastructure	-	-	-	216,583	216,583
Physical Plant and Equipment	-	-	-	50,841	50,841
Unassigned	1,876,821	-	-	-	1,876,821
Total Fund Balances	<u>2,081,729</u>	<u>254,673</u>	<u>56,436</u>	<u>356,786</u>	<u>2,749,624</u>
Total Liabilities and Fund Balances	<u>\$ 4,255,956</u>	<u>\$ 655,949</u>	<u>\$ 549,811</u>	<u>\$ 452,493</u>	<u>\$ 5,914,209</u>

See Accompanying Notes to Financial Statements

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
JUNE 30, 2012**

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 17)	\$ 2,749,624
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	5,374,039
Accrued interest payable on long term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(3,111)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources	14,191
Long-term liabilities, including bonds and notes payable, capital leases, compensated absences and other postemployment benefits payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(1,167,147)</u>
Total Net Assets - Governmental Activities (page 14)	<u><u>\$ 6,967,596</u></u>

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General	Management	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Local Sources:					
Local Tax	\$ 2,240,540	\$ 100,078	\$ 498,635	\$ 475,910	\$ 3,315,163
Tuition	1,253,756	-	-	-	1,253,756
Other	102,836	9,439	350	200,183	312,808
State Sources	2,545,097	-	-	-	2,545,097
Federal Sources	325,629	-	-	-	325,629
Total Revenues	<u>6,467,858</u>	<u>109,517</u>	<u>498,985</u>	<u>676,093</u>	<u>7,752,453</u>
Expenditures					
Instruction:					
Regular Instruction	1,855,505	83,265	-	286,596	2,225,366
Special Instruction	1,114,336	-	-	-	1,114,336
Other Instruction	966,680	-	-	155,403	1,122,083
Support Services:					
Student Services	103,514	-	-	-	103,514
Instructional Staff Services	181,419	-	-	-	181,419
Administration Services	544,844	4,193	500	-	549,537
Operations and Maintenance	434,541	57,622	-	36,956	529,119
Transportation Services	294,543	7,337	-	112,500	414,380
Central Support Services	165,387	-	-	-	165,387
Other Expenditures:					
Structural Improvements	-	-	-	3,509	3,509
Facilities Acquisition	-	-	-	19,232	19,232
Long-Term Debt:					
Principal	-	-	656,930	-	656,930
Interest and Fiscal Charges	-	-	30,543	-	30,543
AEA Flow-Through	187,670	-	-	-	187,670
Total Expenditures	<u>5,848,439</u>	<u>152,417</u>	<u>687,973</u>	<u>614,196</u>	<u>7,303,025</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>619,419</u>	<u>(42,900)</u>	<u>(188,988)</u>	<u>61,897</u>	<u>449,428</u>
Other Financing Sources (Uses)					
Transfers In	-	-	189,229	-	189,229
Transfers Out	-	-	-	(189,229)	(189,229)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>189,229</u>	<u>(189,229)</u>	<u>-</u>
Net Change in Fund Balance	619,419	(42,900)	241	(127,332)	449,428
Fund Balances at Beginning of Year	<u>1,462,310</u>	<u>297,573</u>	<u>56,195</u>	<u>484,118</u>	<u>2,300,196</u>
Fund Balances at End of Year	<u>\$ 2,081,729</u>	<u>\$ 254,673</u>	<u>\$ 56,436</u>	<u>\$ 356,786</u>	<u>\$ 2,749,624</u>

See Accompanying Notes to Financial Statements

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances - Total Governmental funds (page 19)	\$	449,428
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Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlays in the current year as follows:

Expenditures for capital assets	203,073	
Depreciation expense	<u>(267,884)</u>	(64,811)

Bond issuance costs, premiums, discounts and similar items are deferred and amortized in the Statements of Activities.		(6,812)
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Accrued interest expense that does not require current financial resources.		1,662
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Certain revenues not collected for several months after year end are not considered available revenue and are deferred in the governmental funds.		(40,001)
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The repayment of the principal of long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The Statement of Activities does not reflect the payment of principal on long-term debt. The principal paid on long-term debt during the current year was:		656,930
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early Retirement	69,084	
Other Postemployment Benefits	<u>(2,234)</u>	<u>66,850</u>

Change in Net Assets of Governmental Activities (page 16)	\$	<u><u>1,063,246</u></u>
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SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2012

	School Nutrition Fund
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 29,350
Inventories	7,978
Total Current Assets	<u>37,328</u>
Noncurrent Assets:	
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>11,126</u>
Total Assets	<u><u>48,454</u></u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	11,126
Unrestricted	<u>37,328</u>
Total Net Assets	<u><u>\$ 48,454</u></u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	School Nutrition Fund
Operating Revenues:	
Charges for Services	\$ 158,726
Miscellaneous	13,789
Total Operating Revenue	<u>172,515</u>
Operating Expenses:	
Non-Instructional Programs:	
Food Service Operations:	
Salaries	105,384
Benefits	42,996
Food	176,526
Supplies	14,501
Other Expense	3,495
Depreciation	2,559
Total Operating Expenses	<u>345,461</u>
Operating (Loss)	(172,946)
Non-Operating Revenue:	
Interest Income	141
State Lunch Reimbursements	3,223
National School Lunch Program	141,273
Federal Food Commodities Received	24,447
Total Non-Operating Revenue	<u>169,084</u>
Change in Net Assets	(3,862)
Net Assets - Beginning	<u>52,316</u>
Net Assets - Ending	<u><u>\$ 48,454</u></u>

See Accompanying Notes to Financial Statements

SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	School Nutrition Fund
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 172,515
Cash Payments for Salaries and Benefits	(148,380)
Cash Payments for Goods and Services	<u>(164,356)</u>
Net Cash (Used) by Operating Activities	<u>(140,221)</u>
Cash Flows from Non-Capital Financing Activities	
Federal and State Appropriations Received	144,496
Cash Paid to General Fund	<u>(21,008)</u>
Net Cash Provided by Non-Capital Financing Activities	<u>123,488</u>
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	<u>(2,336)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(2,336)</u>
Cash Flows from Investing Activities	
Interest on Investments	<u>141</u>
Net (Decrease) in Cash and Cash Equivalents	(18,928)
Cash and Cash Equivalents at Beginning of Year	<u>48,278</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 29,350</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used) in Operating Activities:	
Operating (Loss)	\$ (172,946)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) in Operating Activities:	
Depreciation Expense	2,559
Commodities Used	24,447
Change in Assets and Liabilities:	
Increase in Inventory	<u>5,719</u>
Net Cash (Used) by Operating Activities	<u><u>\$ (140,221)</u></u>
Supplemental Schedule of Noncash Noncapital Financial Activities:	
Federal Food Commodities Received	<u><u>\$ 24,447</u></u>

See Accompanying Notes to Financial Statements

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sioux Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Sioux Rapids, Rembrandt, Linn Grove, Webb, Gillett Grove, and Peterson, Iowa, and agricultural area in Buena Vista, Clay, Cherokee and O'Brien Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Sioux Central Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Sioux Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Buena Vista and Clay Counties Assessor's Conference Boards.

B. Basis of Presentation

Government-wide Financial Statements – The Statements of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- ***Invested in Capital Assets***, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction or improvement of those assets.
- ***Restricted Net Assets*** result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- ***Unrestricted Net Assets*** consist of net assets that do not meet the definition of the two preceding categories. Unrestricted Net Assets often have constraints on resources that are imposed which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund accounts for the instructional and most of the support service programs of the District's operations. Revenue of the General Fund consists primarily of local property taxes and state government aid.
- The **Debt Service Fund** is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.
- The **Management Fund** is used to account for a property tax levy per thousand dollars of assessed valuation in the District for insurance premiums, unemployment compensation insurance claims, and early retirement.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Cash Equivalents, and Pooled Investments— The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost. For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2012 included certificates of deposits of \$449,409 with original maturity dates longer than three months.

Property Tax Receivable – Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking the budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2010 assessed property valuations; is for the tax accrual period July 1, 2011 through June 30, 2012, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2011.

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and contributed value for government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 1,000
Buildings	\$ 10,000
Improvements other than Buildings	\$ 10,000
Furniture and Equipment:	
School Nutrition Fund Equipment	\$ 500
Other Furniture and Equipment	\$ 2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Buildings	50 years
Improvements other than Buildings	20 – 50 years
Furniture and Equipment	5 – 15 years

Unearned Revenue and Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Unearned revenue consists of unspent grant proceeds. Deferred revenue consists of property tax receivables and other receivables not collected within sixty days after year-end.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred revenue on the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Note 2 – CASH, CASH EQUIVALENTS, AND POOLED INVESTMENTS

The District's deposits in banks at June 30, 2012, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 2 – CASH, CASH EQUIVALENTS, AND POOLED INVESTMENTS (Continued)

Custodial Credit Risk – The District has no policy in place regarding custodial credit risk and deposits with financial institutions, however, deposits are insured by the state sinking fund, which provides for additional assessments against depositories to avoid loss of public funds.

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does have a formal investment policy that limits investment maturities to 397 days or less. The District's investments consist of certificates of deposit that have original maturities of less than 397 days.

Note 3 – CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2012, is as follows:

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 125,495	\$ -	\$ -	\$ 125,495
Total assets not being depreciated	125,495	-	-	125,495
Capital assets being depreciated:				
Buildings and Improvements	7,106,287	-	-	7,106,287
Furniture and Equipment	1,808,213	203,073	-	2,011,286
Total capital assets being depreciated	8,914,500	203,073	-	9,117,573
Less: Accumulated Depreciation for:				
Buildings and Improvements	2,282,926	138,146	-	2,421,072
Furniture and Equipment	1,318,219	129,738	-	1,447,957
Total Accumulated Depreciation	3,601,145	267,884	-	3,869,029
Total capital assets being depreciated, net	5,313,355	(64,811)	-	5,248,544
Governmental activities capital assets, net	5,438,850	(64,811)	-	5,374,039
Business-type Activity:				
Furniture and Equipment	72,278	2,335	-	74,613
Less Accumulated Depreciation	60,928	2,559	-	63,487
Business-type activity capital assets, net	\$ 11,350	\$ (224)	\$ -	\$ 11,126

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 3 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following functions:

Governmental Activities:

Transportation Services	\$ 66,969
Regular Instruction	18,619
Operation and Maintenance	18,840
Unallocated	163,456
Total depreciation expense - governmental activities	<u>\$ 267,884</u>

Business-type Activities:

Food Service Operations	<u>\$ 2,559</u>
-------------------------	-----------------

Reconciliation of Investment in Capital Assets:

	<u>Governmental Activities</u>	<u>Business-type Activity</u>
Land	\$ 125,495	\$ -
Capital Assets (net of accumulated depreciation)	5,248,544	11,126
Less:		
Bonds Payable	(720,000)	-
Leases Payable	<u>(201,195)</u>	<u>-</u>
Investment in Capital Assets, Net of Related Debt	<u>\$ 4,452,844</u>	<u>\$ 11,126</u>

Note 4 – LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2012 are summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
General Obligation Bonds	\$ 1,190,000	\$ -	\$ 470,000	\$ 720,000	\$ 475,000
Capital Lease Payable	388,128	-	186,933	201,195	187,643
Early Retirement	374,129	-	69,084	305,045	65,795
Net OPEB Liability	4,468	2,234	-	6,702	-
Long-Term Liabilities	<u>\$ 1,956,725</u>	<u>\$ 2,234</u>	<u>\$ 726,017</u>	<u>\$ 1,232,942</u>	<u>\$ 728,438</u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 4 – LONG-TERM LIABILITIES (Continued)

General Obligation Bonds

The District adopted a resolution on July 29, 2009, providing for the refunding of \$2.11 million in General Obligation School Bonds, Series 2009. Details of the District's June 30, 2012 general obligation bonded indebtedness are as follows:

Year Ending June 30	Interest Rates	Refunding Bond Issue of July 29, 2009	
		Principal	Interest
2013	2.10	\$ 475,000	\$ 18,375
2014	2.45	245,000	6,737
	Total	<u>\$ 720,000</u>	<u>\$ 25,112</u>

Capital Leases

As of June 30, 2012, equipment under two capital leases consists of laptop computers and multiple copiers. The laptop computers were not capitalized due to each individual laptop being under the District's capitalization policy. The copier had a capitalized cost of \$41,262. Accumulated depreciation in the statement of net assets and depreciation reported in the statement of activities in the amount of \$4,126 was recorded in 2012 relating to the copiers. Future lease payments are summarized as follows:

Year Ending June 30	Governmental Activities	
	Principal	Interest
2013	\$ 187,644	\$ 1,585
2014	9,392	808
2015	4,159	91
	<u>\$ 201,195</u>	<u>\$ 2,484</u>

Early Retirement

The District offered a one-time voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of service as a full-time licensed employee to the District. Employees must complete an application which is required to be approved by the Board of Education. The District will provide insurance premium assistance to age 65 for the retiree. The amount of the assistance is the single insurance premium rate at the time of the retiree's last year of employment. Early retirement benefits paid during the year ended June 30, 2012, totaled \$65,795. There were eight retired individuals receiving benefits at June 30, 2012.

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 5 – PENSION AND RETIREMENT BENEFITS

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P O Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the District is required to contribute 8.07% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$284,301, \$232,796, and \$214,573, respectively, equal to the required contributions for each year.

Note 6 – OTHER POSTEMPLOYMENT BENEFITS

During fiscal 2010, the District adopted the provisions of GASB 45 "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions". The major change under GASB 45 is to attribute the cost of post-employment benefits to the time during which the employee is working for the employer.

Accordingly, a prospective liability is recorded at June 30, 2012 for a Post-Employment Benefit Obligation as determined by an actuarial calculation.

Plan Description. An employee who has a minimum of 10 years of service and age 55 are provided single coverage health insurance until they reach the age of 65. Premiums are based on the full active employee premium rate.

Funding Policy. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and NET OPEB Obligation. The District's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 6 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

The following table shows the components of the District's annual OPEB for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan:

Annual required contribution	\$ 45,347
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (Expense)	<u>45,347</u>
Contributions made	<u>(43,113)</u>
Increase in net OPEB obligation	2,234
Net OPEB obligation - beginning of year	4,468
Net OPEB obligation - end of year	<u><u>\$ 6,702</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$ 45,347	95.07%	\$ 2,234
2011	\$ 45,347	95.07%	\$ 4,468
2012	\$ 45,347	95.07%	\$ 6,702

Funded Status and Funding Progress. The funded status of the plan as of December 31, 2009 was as follows:

Actuarial accrued liability (AAL)	\$ 375,987
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 375,987</u>
Funded ratio (actuarial value of plan assets/AAL)	-
Covered payroll (active members)	\$2,778,746
UAAL as a percentage of covered payroll	13.53%

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012**

Note 6 – OTHER POSTEMPLOYMENT BENEFITS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point and do not explicitly reflect the potential effect of legal or contractual funding limitation. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 7 – AREA EDUCATION AGENCY

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$187,670 for the year ended June 30, 2012, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 8 – RISK MANAGEMENT

Sioux Central Community School District is a member in the Iowa School Employees Benefit Association, an Iowa Code Chapter 28E organization. The Iowa School Employees Benefits Association (ISEBA) is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. ISEBA was formed in July 1999 for the purpose of managing and funding employee benefits. ISEBA provides coverage and protection in the following categories: medical, dental, vision and prescription drugs. Sioux Central Community School District is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9- CATEGORICAL FUNDING

The District's restricted fund balance for categorical funding at June 30, 2012 is comprised of the following programs:

Program	Amount
Teacher Quality	\$ 895
Talented and Gifted	21,420
Stem Grant	3,000
Early Intervention	91,988
Model Core Curriculum	30,846
Teacher Quality Professional Development	27,910
Education Enrichment	3,265
Market Factor	2,121
Total	<u>\$ 181,445</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET
AND ACTUAL, ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts Original	Final to Actual Variance
Receipts					
Local Sources:					
Local Taxes	\$ 3,315,163	\$ -	\$ 3,315,163	\$ 2,914,545	\$ 400,618
Tuition	1,253,756	-	1,253,756	1,350,000	(96,244)
Other	312,808	172,656	485,464	715,000	(229,536)
State Sources	2,545,097	3,223	2,548,320	2,553,510	(5,190)
Federal Sources	325,629	165,720	491,349	509,000	(17,651)
Total Receipts	<u>7,752,453</u>	<u>341,599</u>	<u>8,094,052</u>	<u>8,042,055</u>	<u>51,997</u>
Expenditures					
Instruction	4,461,785	-	4,461,785	4,570,000	108,215
Support Services	1,943,356	-	1,943,356	1,968,500	25,144
Non-Instructional Programs	-	345,461	345,461	360,000	14,539
Other Expenditures	897,884	-	897,884	920,851	22,967
Total Expenditures	<u>7,303,025</u>	<u>345,461</u>	<u>7,648,486</u>	<u>7,819,351</u>	<u>170,865</u>
Excess (Deficiency) of Revenues					
Over Expenditures	449,428	(3,862)	445,566	222,704	222,862
Other Financing Sources (Uses)					
Operating Transfers From Other Funds	189,229	-	189,229	189,229	-
Operating Transfers to Other Funds	<u>(189,229)</u>	<u>-</u>	<u>(189,229)</u>	<u>(189,229)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund Balance	449,428	(3,862)	445,566	222,704	222,862
Fund Balance at Beginning of Year	<u>2,300,196</u>	<u>52,316</u>	<u>2,352,512</u>	<u>2,352,512</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 2,749,624</u>	<u>\$ 48,454</u>	<u>\$ 2,798,078</u>	<u>\$ 2,575,216</u>	<u>\$ 222,862</u>

See Accompanying Independent Auditor's Report

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2012**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, there were no budget amendments.

During the year ended June 30, 2012, expenditures did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
YEAR ENDED JUNE 30, 2012**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	7/1/2009	\$ -	\$ 375,987	\$ 375,987	0%	\$ 2,778,746	13.5%
2011	7/1/2009	\$ -	\$ 375,987	\$ 375,987	0%	\$ 2,778,746	13.5%
2012	7/1/2009	\$ -	\$ 375,987	\$ 375,987	0%	\$ 2,778,746	13.5%

See Note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

**OTHER SUPPLEMENTARY
INFORMATION**

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
GOVERNMENTAL NONMAJOR FUNDS
JUNE 30, 2012**

SCHEDULE 1

	Special		Capital Projects	
	Revenue Funds			
	Student Activity	Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax	Total
Assets				
Cash and Cash Equivalents	\$ 96,595	\$ 49,537	\$ 153,186	\$ 299,318
Receivables:				
Property Tax	-	1,304	77,025	78,329
Succeeding Year Property Tax	-	74,846	-	74,846
Total Assets	<u>96,595</u>	<u>125,687</u>	<u>230,211</u>	<u>452,493</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	7,233	-	13,628	20,861
Deferred Revenue - Succeeding Year Taxes	-	74,846	-	74,846
Total Liabilities	<u>7,233</u>	<u>74,846</u>	<u>13,628</u>	<u>95,707</u>
Fund Balances				
Restricted for:				
Student Activities	89,362	-	-	89,362
Physical Plant and Equipment	-	50,841	-	50,841
School Infrastructure	-	-	216,583	216,583
Total Fund Balances	<u>89,362</u>	<u>50,841</u>	<u>216,583</u>	<u>356,786</u>
Total Liabilities and Fund Balance	<u>\$ 96,595</u>	<u>\$ 125,687</u>	<u>\$ 230,211</u>	<u>\$ 452,493</u>

SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL NONMAJOR FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

SCHEDULE 2

	Special Revenue Funds	Capital Projects		
	Student Activity	Physical Plant and Equipment Levy	Statewide Sales, Services and Use Tax	Total
Revenues				
Local Sources				
Local Tax	\$ -	\$ 71,394	\$ 404,516	\$ 475,910
Other	144,723	25,351	28,765	198,839
Interest	437	350	557	1,344
Total Revenues	<u>145,160</u>	<u>97,095</u>	<u>433,838</u>	<u>676,093</u>
Expenditures				
Instruction:				
Regular Instruction	-	116,908	169,688	286,596
Other Instruction	155,403	-	-	155,403
Support Services:				
Operation and Maintenance	-	-	36,956	36,956
Transportation Services	-	-	112,500	112,500
Other Expenditures:				
Structural Improvements	-	3,509	-	3,509
Facilities Acquisition	-	-	19,232	19,232
Total Expenditures	<u>155,403</u>	<u>120,417</u>	<u>338,376</u>	<u>614,196</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,243)	(23,322)	95,462	61,897
Other Financing Sources (Uses)				
Transfers Out	-	-	(189,229)	(189,229)
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>(189,229)</u>	<u>(189,229)</u>
Net Change in Fund Balances	(10,243)	(23,322)	(93,767)	(127,332)
Fund Balances at Beginning of Year	<u>99,605</u>	<u>74,163</u>	<u>310,350</u>	<u>484,118</u>
Fund Balances at End of Year	<u>\$ 89,362</u>	<u>\$ 50,841</u>	<u>\$ 216,583</u>	<u>\$ 356,786</u>

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF INDIVIDUAL STUDENT ACTIVITY ACCOUNT ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2012**

SCHEDULE 3

	Balance June 30, 2011	Revenues and Interfund Transfers	Expenditures	Balance June 30, 2012
Senior High/Junior High	\$ 62,468	\$ 72,214	\$ 86,327	\$ 48,355
Athletics	30,368	71,563	65,369	36,562
Elementary	6,769	1,383	3,707	4,445
Total for Activity Funds	<u>\$ 99,605</u>	<u>\$ 145,160</u>	<u>\$ 155,403</u>	<u>\$ 89,362</u>

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SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

Modified Accrual Basis of Accounting				
	2012	2011	2010	2009
Revenues:				
Local Sources:				
Local Tax	\$ 3,315,163	\$ 3,265,777	\$ 2,591,183	\$ 2,479,566
Tuition	1,253,756	1,155,335	1,453,296	1,386,709
Other	312,808	649,242	281,107	331,802
State Sources	2,545,097	2,243,327	1,760,473	2,033,568
Federal Sources	325,629	333,253	286,339	233,461
	<u>\$ 7,752,453</u>	<u>\$ 7,646,934</u>	<u>\$ 6,372,398</u>	<u>\$ 6,465,106</u>
Expenditures:				
Instruction:				
Regular Instruction	\$ 2,225,366	\$ 2,277,927	\$ 2,811,463	\$ 2,230,833
Special Instruction	1,114,336	1,021,201	942,415	768,164
Other Instruction	1,122,083	727,608	825,001	855,769
Support Services:				
Student Services	103,514	155,029	112,565	67,669
Instructional Staff Services	181,419	141,741	134,200	121,392
Administration Services	549,537	505,791	530,641	474,403
Operations and Maintenance	529,119	488,137	612,037	581,890
Transportation Services	414,380	360,703	215,210	286,986
Central Support Services	165,387	103,071	130,799	148,039
Non-Instructional Programs	-	-	-	-
Other Expenditures:				
Judgements from Court Decision	-	-	-	-
Structural Improvements	3,509	-	-	-
Facilities Acquisition	19,232	103,621	-	-
Long-term Debt:				
Principal	656,930	641,276	647,976	405,000
Interest and Other Charges	30,543	38,478	56,865	106,610
AEA Flowthrough	187,670	200,352	177,644	162,232
	<u>\$ 7,303,025</u>	<u>\$ 6,764,935</u>	<u>\$ 7,196,816</u>	<u>\$ 6,208,987</u>

2008	2007	2006	2005	2004
\$ 2,459,303	\$ 2,660,552	\$ 2,441,883	\$ 2,456,291	\$ 2,298,569
1,371,175	874,283	1,084,802	965,960	455,715
333,626	440,522	257,772	236,111	197,783
1,890,883	1,783,152	1,776,118	1,642,643	1,668,404
261,894	266,668	579,219	724,543	452,558
<u>\$ 6,316,881</u>	<u>\$ 6,025,177</u>	<u>\$ 6,139,794</u>	<u>\$ 6,025,548</u>	<u>\$ 5,073,029</u>
\$ 2,410,734	\$ 2,181,684	\$ 2,025,004	\$ 2,226,542	\$ 2,310,179
696,382	697,452	602,269	719,023	766,178
708,080	661,804	626,805	550,065	296,798
126,873	121,965	123,217	96,495	138,816
129,937	97,055	288,543	99,138	56,183
490,359	431,054	613,163	662,386	430,562
664,229	691,900	520,064	513,389	428,161
236,172	235,680	257,341	214,250	140,968
121,399	136,057	115,021	93,214	-
-	-	-	473	1,479
-	5,000	-	-	-
-	-	-	-	-
-	-	10,000	117,016	33,693
390,000	392,889	452,804	290,000	336,578
122,795	138,121	156,047	221,243	244,075
157,411	153,027	161,131	146,814	151,819
<u>\$ 6,254,371</u>	<u>\$ 5,943,688</u>	<u>\$ 5,951,409</u>	<u>\$ 5,950,048</u>	<u>\$ 5,335,489</u>

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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of the
Sioux Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activity, each major fund and the aggregate remaining fund information of Sioux Central Community School District, Iowa as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 11, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Sioux Central Community School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sioux Central Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sioux Central Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sioux Central Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and is not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as item 12-II-B to be material weaknesses in internal control over financial reporting.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 12-II-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sioux Central Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Sioux Central Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Sioux Central Community School District's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sioux Central Community School District and other parties to whom Sioux Central Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sioux Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams + Company, P.C.
Certified Public Accountants

Spencer, Iowa
December 11, 2012

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

PART I – SUMMARY OF INDEPENDENT AUDITOR’S RESULTS

- (A) An unqualified opinion was issued on the financial statements.
- (B) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (C) The audit did not disclose any non-compliance, which is material to the financial statements.

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS

INSTANCES OF NON-COMPLIANCE: No matters were reported.

SIGNIFICANT DEFICIENCY:

12-II-A Segregation of Duties

Observation – During our review of internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District’s financial statements.

Recommendation – We realize with a limited number of personnel, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response – The District feels that additional personnel would not be cost effective. However, management and the school board will review procedures and investigate available alternatives.

Conclusion – Response accepted.

MATERIAL WEAKNESS:

12-II-B Financial Reporting

Observation – During our audit, we identified material and immaterial amounts of receivables, prepaid expense, prepaid health insurance, capital assets, payables, fund balance, and expenses not properly recorded in the District’s financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation – The District should implement procedures to ensure all receivables, capital assets, and payables are identified and included in the District’s financial statements.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

PART II – FINDINGS RELATED TO THE FINANCIAL STATEMENTS (CONTINUED)

Response – We will double check these in the future to avoid missing any receivable, prepaid, fixed asset and payable transactions.

Conclusion – Response accepted.

PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

12-III-A: Certified Budget – Expenditures for the year ended June 30, 2012, did not exceed the certified budget amounts.

12-III-B: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.

12-III-C: Travel Expense – No expenditures of Sioux Central Community School District were for travel expenses of spouses of District officials or employees.

12-III-D: Business Transactions – No business transactions between the District and the District officials or employees were noted.

12-III-E: Bond Coverage - Surety bond coverage of Sioux Central Community School District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

12-III-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.

12-III-G: Certified Enrollment – The number of resident students reported to the Iowa Department of Education in row 1 of the Certified Enrollment Certification Form for October of 2011 was overstated. The District’s certified enrollment count included 1 student who was not in attendance in the Fall of 2011. This resulted in overstating the total actual enrollment in row 7 by 1 student.

Recommendation – The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response – We will contact the Iowa Department of Education and the Department of Management.

Conclusion – Response accepted.

12-III-H: Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

**SIoux CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

- 12-III-I: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- 12-III-J: Certified Annual Report – The Certified Annual Report was filed timely with the Department of Education.
- 12-III-K: Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- 12-III-L: Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provision of chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2012, the District reported the following information regarding the statewide sales, services, and use tax revenue in the District's CAR including adjustments identified during the fiscal year 2012 audit.

Beginning Balance		\$ 310,350
Statewide Sales and Services Tax Revenue	404,516	
Other	29,322	<u>433,838</u>
		744,188
Expenditures/Transfers Out:		
School Infrastructure:		
Equipment	149,457	
Other Improvements	188,920	
Transfers to other funds:		
Debt Service Fund	189,229	<u>527,606</u>
Ending Balance		<u><u>\$ 216,582</u></u>

For the year ended June 30, 2012, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

**SIOUX CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2012**

**PART III – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING
(CONTINUED)**

12-III-M: Deficit Balances – No funds had deficit balances at June 30, 2012.

12-III-N: Student Activity Fund: - In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), moneys in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's education program. All moneys in Student Activity Fund appear to be extracurricular or co-curricular in nature.